

Message Text

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73

ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 LAB-04 AID-05 CIAE-00 COME-00

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FM SECSTATE WASHDC

TO AMEMBASSY KINGSTON PRIORITY

AMEMBASSY GEORGETOWN PRIORITY

AMEMBASSY PORT OF SPAIN PRIORITY

AMEMBASSY SANTO DOMINGO PRIORITY

AMEMBASSY PORT AU PRINCE PRIORITY

AMCONSUL PARAMARIBO PRIORITY

C O N F I D E N T I A L STATE 279314

E.O. 11652: GDS

TAGS:EINV, EMIN, JM

SUBJECT: KAISER AGREEMENT WITH JAMAICA

REF: PORT OF SPAIN 2912

1. SINCE THE KAISER SETTLEMENT WITH JAMAICA MAY CONTINUE TO ARISE IN DISCUSSIONS WITH HOST COUNTRY OFFICIALS AND OTHERS, WE BELIEVE IT IS STILL TIMELY TO OFFER SOME PRELIMINARY COMMENT ON AN FYI BASIS. IT WOULD BE APPROPRIATE, IN OUR VIEW, TO REFRAIN FROM EXPRESSING SATISFACTION OR DISSATISFACTION WITH THE TERMS OF THE KAISER SETTLEMENT. NOTWITHSTANDING EARLIER COMPANY ASSERTIONS THAT A 7.5 PERCENT PRODUCTION LEVY WOULD BE INSUPPORTABLE DURING A SLUMP IN ALUMINUM PRICES, KAISER APPEARS TO BE REASONABLY SATISFIED WITH THE AGREEMENT, ALTHOUGH KAISER REPS ADVISE US THAT NEGOTIATION OF FINAL AGREEMENTS MAY TAKE 4 TO 8

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MONTHS, AND SOME IMPORTANT ISSUES REMAIN TO BE WORKED OUT.

2. KAISER'S INTERESTS, HOWEVER, ARE NOT IDENTICAL WITH THOSE OF THE OTHER COMPANIES OR THE USG. THE KAISER AGREEMENT HAS PROBABLY PLACED A LIMIT ON WHAT THE OTHER COMPANIES CAN ATTAIN IN CERTAIN KEY AREAS, SUCH AS THE PRODUCTION LEVY, AND THE OTHER ALUMINUM COMPANIES HAVE EXPRESSED SOME DISPLEASURE WITH THE KAISER SETTLEMENT TO US. WE DO NOT KNOW WHETHER THE OTHER COMPANIES WILL BE

WILLING TO ACCEPT SIMILAR TERMS, OR WHETHER THE GOJ WILL BE WILLING TO OFFER SIMILAR TERMS TO ALL OF THE OTHER COMPANIES. FINALLY, WHILE THE PRODUCTION LEVY ACCEPTED BY KAISER IS LESS OVER THE COMING 5 YEARS THAN WHAT THE GOJ HAS INDICATED IT WOULD IMPOSE IN THE ABSENCE OF ANY AGREEMENT, IT IS STILL HIGH ENOUGH TO PLACE A SUBSTANTIAL ADDITIONAL FINANCIAL BURDEN ON US COMPANIES, CONSUMERS, AND TAXPAYERS AT A DIFFICULT TIME FOR THE US ECONOMY. SISCO

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